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NOFORN
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E.O. 12958: DECL: 08/04/2034
TAGS: PREL PARM ETTC MASS HK IR
SUBJECT: (S) HONG KONG FIRM MAY BUILD ARMED FAST ATTACK
PATROL CRAFT FOR IRAN

Classified By: Daniel Kritenbrink, Acting EAP/CM Office Director,
Reasons: 1.4(b), (c), and (d).

¶1. (S) This is an action request to General Consulate Hong Kong. Please see paragraph 4.

BACKGROUND

¶2. (S/NF) We have information that the firm Oceanemed Holding Limited of Hong Kong is pursuing a contract to build armed fast attack patrol craft for Iran. Since armed patrol craft are controlled under the Wassenaar Arrangement Munitions List (item ML9), any transfer of such patrol craft would require reporting to Congress under the Iran, North Korea, and Syria Nonproliferation Act (INKSNA). INKSNA could also provide the basis for imposition of sanctions.

¶3. (S/NF) In addition, these armed fast attack vessels would assist Iran's effort to develop an asymmetrical naval warfare force in the Persian Gulf, which poses a threat to Coalition naval forces and commercial vessels in the region. Over the past several years, the United States has urged nations to prevent sales to Iran of such vessels and related dual-use items. Thus, it is imperative to prevent Iran from obtaining armed fast attack vessels from Oceanemed in Hong Kong or other entities in the Hong Kong SAR.

ACTION REQUEST/OBJECTIVES

¶4. (S/NF) Post is requested to approach appropriate host government officials as soon as possible to pursue the following objectives and to deliver the talking points/non-paper in para 5 below:

-- Inform Hong Kong officials we have information that Oceanemed Holding Limited of Hong Kong may contract to build armed fast attack patrol craft for Iran.

-- Remind Hong Kong officials that these vessels may be covered under UNSCR 1747 which calls upon states to exercise vigilance and restraint in supply, sale or transfer of certain military items to Iran, including warships, to preclude a destabilizing accumulation of arms.

-- Urge the Hong Kong authorities to investigate, share with us the results of its investigation, and act to terminate this activity because the sale of such vessels would present a threat to international shipping and countries in the region.

-- Emphasize to Hong Kong officials that exports of armed patrol craft are controlled under the Wassenaar Arrangement and that a transfer of such systems to Iran is reportable to the U.S. Congress under the Iran, North Korea, and Syria

Nonproliferation Act (INKSNA). Entities named in such reports may also be subject to sanctions under U.S. law.

15. (SECRET/REL HONG KONG) BEGIN TALKING POINTS.

-- In the interest of transparency and enhanced cooperation on nonproliferation matters, we would like to share the following information.

-- The United States has information that Oceanemed Holding Limited of Hong Kong is pursuing a contract to build armed fast attack patrol craft for Iran.

-- These fast attack patrol craft may be covered under paragraph 6 of UN Security Council Resolution 1747 which calls upon all states to exercise vigilance and restraint in the supply, sale or transfer of certain military items, including warships, to Iran.

-- In addition, since the export of armed patrol craft is controlled under the Wassenaar Arrangement (Item ML9), transfers of these vessels are reportable to the U.S. Congress under the Iran, North Korea, and Syria Nonproliferation Act (INKSNA) and may result in the imposition of U.S. sanctions on the entities involved in the transfer.

-- We urge you to investigate the activities of this company and share with us at your earliest convenience the results of your investigation.

-- We also request that you act to terminate the acquisition of such armed fast attack patrol craft as their acquisition represents a destabilizing accumulation of arms in the Persian Gulf region and, in particular, a threat to international shipping.

-- Unfortunately, we do not have more detailed information we can share at this time. We will endeavor to share any further information that we may obtain with you.

-- We look forward to our continued cooperation on this and other related matters.

(IF ASKED)

-- INKSNA also authorizes sanctions against persons and companies reported, such as:

a. No department or agency of the United States Government may procure, or enter into any contract or the procurement of any goods, technology, or services from the designated entity;

b. No department or agency of the United States Government may provide any assistance to the designated entity, and they shall not be eligible to participate in any assistance program of the United States Government;

c. No sales to the designated entity of any item on the United States Munitions List are permitted, and all sales to them of any defense articles, defense services, or design and construction services under the Arms Export Control Act are terminated; and,

d. No new individual licenses shall be granted for the transfer to the designated of items, the export of which is controlled under the Export Administration Act of 1979 or the Export Administration Regulations, and existing such licenses are suspended.

END TALKING POINTS

REPORTING REQUIREMENT

16. (U) Post is requested to please report results of its efforts within seven business days following receipt of this

cable.

POINT OF CONTACT

¶7. (U) ISN/CATR PoC is Michael Rolleri
(RolleriMJ@state.sgov.gov; 202-647-0255).

¶8. (U) Post's assistance is greatly appreciated.
CLINTON